

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 2513 - SB 2577**

March 5, 2020

**SUMMARY OF BILL:** Enacts the Freedom to Work Act (Act) which restricts post-employment restrictive covenants from lasting longer than one year after an employee has ended employment with an employer, if the employee makes less than 200 percent of the minimum wage required by applicable minimum wage laws. Any post-employment restrictive covenant which violates this prohibition is rendered void.

Stipulates that this Act does not apply to a severance agreement mutually and freely agreed upon in good faith at or after the time of termination that includes a post-employment restrictive covenant or to any post-employment restrictive covenant related to or arising out of the sale of a business if the individual subject to the covenant receives value related to the sale of the business.

If an employer seeks to enforce a post-employment restrictive covenant through arbitration or through civil action, and such covenant is unenforceable by the provisions of the Act, the employer is liable for the employee's costs associated with arbitration, attorneys' fees, court costs, and actual damages.

**ESTIMATED FISCAL IMPACT:**

**NOT SIGNIFICANT**

Assumptions:

- This legislation defines post-employment restrictive covenants as an agreement, written or oral, between an employer and employee under which the employee agrees that the employee, either alone or as an employee of another person, will not compete with the employer in providing products, processes, or services that are similar to the employer's products, processes, or service. Such covenants do not include nonsolicitation agreement, or nondisclosure or confidentiality agreements.
- This Act will reduce the terms and in many cases, terminate existing covenants in place between employers and employees.
- Any direct impact to state or local government as a result of this legislation is estimated to be not significant. No significant impact on state or local government as an employer.
- A small increase in cases in the court system, which will result in additional state and local government expenditures for processing the cases and additional state and local government revenue from fees, taxes and costs collected. These expenditures and revenue are estimated to be not significant.

**IMPACT TO COMMERCE:****NOT SIGNIFICANT**

Assumption:

- Any impact to commerce or jobs in this state is estimated to be not significant.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/jdb